

## Schulte Roth &amp; Zabel LLP

919 Third Avenue  
New York, NY 10022  
212.756.2000  
212.593.5955 fax  
www.srz.com

MEMO ENDORSED

Writer's E-mail Address  
adam.harris@srz.com

USDC SDNY  
212.756.2253  
DOCUMENT  
ELECTRONICALLY FILED  
DOC #:  
DATE FILED: 10/22/07

VIA FEDEX

Honorable Richard M. Berman,  
United States District Judge  
United States District Court for the  
Southern District of New York  
Daniel Patrick Moynihan United States Courthouse  
500 Pearl Street, Room 650  
New York, New York 10007

October 18, 2007  
The Clerk is respectfully  
directed to place this  
pending appeal/settlement  
matter on the Suspense  
calendar.  
SO ORDERED:  
Date: 10/22/07 Richard M. Berman  
Richard M. Berman, U.S.D.J.

Re: In re Lionel L.L.C., et al. Case No. 04-17324 (BRL)

Mike's Train House, Inc. v. Lionel L.L.C., et al. No.  
07 Civ. 7946 (RMB)

Dear Judge Berman:

We are writing as counsel to Lionel L.L.C. and its affiliate (collectively, "Lionel") in the chapter 11 cases pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") before the Honorable Burton R. Lifland, and in the above-referenced appeal filed by Mike's Train House, Inc. ("MTH") that is now pending before Your Honor. This letter is in response to Your Honor's query as to why the settlement between Lionel and MTH will take several months to consummate.

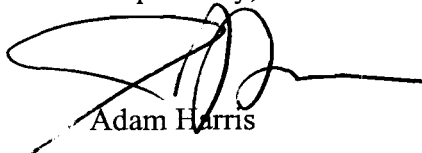
As Your Honor is aware, Lionel is currently a debtor under chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). One of the conditions to the effectiveness of the settlement is the confirmation and consummation of Lionel's plan of reorganization under chapter 11 of the Bankruptcy Code. Lionel has drafted a plan and accompanying disclosure statement and expects to receive Bankruptcy Court approval to begin soliciting votes to accept or reject the plan by the end of October. The plan provides that all allowed claims against Lionel will be paid in full plus post-petition interest. Therefore, Lionel expects that the plan will be approved by the parties entitled to vote and confirmed by the Bankruptcy Court.

Honorable Richard M. Berman  
October 4, 2007  
Page 2

Once the confirmation and consummation process begins, it will take at least sixty days, and possibly longer, to complete the process, which also requires raising the debt and equity financing necessary to fund Lionel's obligations under the plan, such as the settlement payment payable to MTH under the confidential settlement agreement.

Therefore, it is the time needed for Lionel to raise the financing and complete its chapter 11 case that will delay the consummation of the settlement agreement between Lionel and MTH for several months. We appreciate Your Honor's agreement to allow the appeal to remain open, but in suspense, during this time period.

Respectfully,

A handwritten signature in black ink, appearing to be "Adam Harris", written over a horizontal line. The signature is stylized with a large loop and a long horizontal stroke extending to the right.

Adam Harris

cc: Robert LaRocca, Esq. (via facsimile)  
Counsel for Mike's Train House, Inc.